

DEHRING BUNTING & GOLDING

INVESTMENT BANKERS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1995

1. The company

The company is incorporated in Jamaica and these financial statements are presented in Jamaican dollars.

During the year, the 50.03% holding in the company was disposed of by DB&G Holdings Limited, which is no longer the parent company.

The principal activity of the company is the provision of corporate finance and investment and advisory services, including management of funds on a non-recourse basis.

The principal activities of its wholly-owned subsidiaries are detailed in note 25.

2. Significant accounting policies

(a) Accounting convention:

The financial statements are prepared under the historical cost convention, except for the inclusion of certain investments at valuation.

- (b) Basis of consolidation:
The consolidated financial statements include the financial statements of the wholly owned subsidiaries for the year ended December 31, 1995. The associated company is accounted for at cost for the company and on the equity basis for the group (note 7).

All significant inter-company transactions are eliminated.

The company and its subsidiaries are collectively referred to as the "group".

- (c) Depreciation:
Fixed assets, with the exception of freehold land on which no depreciation is provided, are depreciated on the straight line basis at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Freehold buildings and leasehold improvements	2 1/2%
Motor vehicles	20%
Furniture and equipment	10%
Computers	20%

- (d) Investments:
Investments excluding bonds, which are held on a short-term basis, are stated at the lower of cost and market value. Certain bonds which were purchased at discounts are stated at cost plus amortised discount. Other investments are shown at cost.
- (e) Finance lease income:
Income arising from finance leases is recognised over the period of the lease to produce a constant periodic rate of return on the net investment in such leases.
- (f) Bond discounts:
Bond discount income is amortised on the straight line basis over the period of the bond.

(g) Foreign currencies:
Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account.

3. Loans and other receivables

	Company		Group	
	1995	1994	1995	1994
Loans receivable (note (i))	138,697,393	19,364,031	239,085,944	19,364,031
Less provision for doubtful debts	(5,994,564)	(2,000,000)	(5,994,564)	(2,000,000)
	132,702,829	17,364,031	233,091,380	17,364,031
Investment in finance leases:				
Gross investment (note (ii))	1,328,872	3,351,055	1,328,872	3,351,055
Unearned finance income	(223,057)	(1,342,991)	(223,057)	(1,342,991)
Net investment	1,105,815	2,008,064	1,105,815	2,008,064
Other receivables:				
Parent company	-	96,955	-	96,955
Directors' current accounts	59,951	48,012	59,951	48,012
Interest	36,248,107	18,849,969	43,768,655	18,849,969
Sundry	19,980,439	6,496,638	19,927,327	6,489,867
	56,288,497	25,491,574	63,755,933	25,484,803
	\$ 190,097,141	44,863,669	297,953,128	44,856,898

(i) Loans receivable include:
(a) Amounts due from companies controlled by directors amounting to

\$500,000 (1994: \$Nil) for the company and \$388,551 (1994: \$Nil) for the group.

(b) Certain loans pledged as security under repurchase certificates (note 10(ii)).

(ii) The lease rentals for the company and the group are receivable as follows:

	1995	1994
Within one year	1,328,872	1,733,966
More than one year	-	1,617,089
	\$ 1,328,872	3,351,055

4. Securities purchased under resale agreements, and securities sold under repurchase agreements

In assisting institutions in managing liquidity, the company acquires funds from and makes funds available to institutions by entering into very short-term agreements with these institutions. For securities purchased under resale agreements, the company on delivering the funds, receives the securities and agrees to resell them on a specified date and at a specified price. For securities sold under agreements to repurchase, the company, on receipt of the funds, delivers the securities and agrees to repurchase them on a specified date and at a specified price.

The interest income and expense accruing on these transactions up to December 31, 1995 are included in these financial statements.

5. Investments

	Company and group	
	1995	1994
Local registered stocks		

- maturing 1997 and 1998 (1994:1996 and 1997)	121,618,586	93,517,782
Treasury bills	23,506,326	5,053,957
Managed funds	250,000	-
Quoted, at cost	408,636	317,397
Certificates of deposit - maturing 1996 and 1997	3,182,098	-
	148,965,646	98,889,136
 Bonds, face value		
- maturing 1996 to 2000 (1994:1995 to 2000)	103,556,345	31,526,299
Less: Unamortised discount	(3,905,587)	(611,746)
 Carrying value	99,650,758	30,914,553
	\$ 248,616,404	129,803,689

The market value of quoted investments amounted to \$287,282 (1994:\$404,645).

6. Deferred expenses

- (i) Deferred expenses for the company, which represented consulting and brokerage fees to raise share capital in 1992, and listing fees and share issue expenses were written off over a period of three years ended July 1995.
- (ii) Deferred expenses for the group represent incorporation expenses of a subsidiary which are being amortised over a period of three years which commenced November 1995.

7. Interest in associated company

	Company		Group	
	1995	1994	1995	1994
Carrying value of shares:				
At beginning of the year	38,336,969	38,336,969	37,971,064	37,915,429
Share of (losses)/profits	-	-	(359,777)	55,635

At end of the year	38,336,969	38,336,969	37,611,287	37,971,064
Loans	15,393,897	8,925,616	15,393,897	8,925,616
Interest receivable	9,516,185	5,433,840	9,516,185	5,433,840
	\$ 63,247,051	52,696,425	62,521,369	52,330,520

The company holds 49% of the equity capital of Runaway Bay Developments Limited which is incorporated in Jamaica.

The loans are secured and bear interest at the rates of 45% - 48% (1994:60%) per annum. Interest and principal are repayable on demand.

8. Interest in subsidiaries

	1995	1994
Shares, at cost (note 25)	100,001,000	1,000
Current accounts	501,517	-
	\$ 100,502,517	1,000

9. Fixed assets

	Company and Group			
	Land and buildings, and leasehold improvements	Motor vehicles	Furniture, equipment and computers	Total
At cost:				
December 31, 1994	10,361,964	3,959,008	14,878,968	29,199,940
Additions	1,040,160	5,076,369	3,783,605	9,900,134
Disposals	(10,647,299)	(1,361,631)	(561,257)	(12,570,187)
December 31, 1995	754,825	7,673,746	18,101,316	26,529,887

Depreciation:

December 31, 1994	455,809	510,522	3,139,247	4,105,578
Charge for the year	93,553	1,023,478	2,745,896	3,862,927
Eliminated on disposals	(538,646)	(443,779)	(188,622)	(1,171,047)
December 31, 1995	10,716	1,090,221	5,696,521	6,797,458

Net book values:

December 31, 1995	\$ 744,109	6,583,525	12,404,795	19,732,429
December 31, 1994	\$ 9,906,155	3,448,486	11,739,721	25,094,362

Land and buildings and leasehold improvements include land at cost of \$Nil (1994: \$2,505,367).

Motor vehicles include assets held under finance lease amounting to \$4,168,871 (1994: \$2,986,526).

10. Loans and promissory notes

	Company and Group	
	1995	1994
12.77% United States dollar loan	-	31,364,792
8% - 13.75% (1994: 12% - 14%) United States dollar promissory notes [note (i)]	162,697,497	10,045,890
39% - 42% (1994: 25%-34%) Jamaican dollar promissory notes [note (i)]	169,571,542	260,884,736
Repurchase certificates [note (ii)]	100,000,000	-
	432,269,039	302,295,418
Obligation under finance lease [note (iii)]	2,421,773	2,000,288
Less finance charge allocated to future period	(492,795)	(327,868)
	1,928,978	1,672,420
	\$ 434,198,017	303,967,838

- (i) Promissory notes are repayable in 1996 and include \$243,989,142 (1994: \$270,930,626) payable to the other financial institutions.
- (ii) The repurchase certificates bear interest at the rate of 45% per annum and are repayable in March 1997. Provision has been made in these financial statements for interest up to December 1995. These liabilities are secured as described in note 3(i) (b).
- (iii) The obligation under finance lease bears interest at the rate of 17% (1994: 51.25% and is repayable in equal quarterly instalments of \$68,773 (1994: \$1,000,144) the final instalment being due in May 1998.

11. Share capital

	1995	1994
Authorised:		
87,500,000 ordinary shares of \$0.10 each	\$ 8,750,000	8,750,000
Issued and fully paid:		
75,000,000 stock units	\$ 7,500,000	7,500,000

12. Reserves

	Company		Group	
	1995	1994	1995	1994
Capital:				
At beginning of year	24,319,716	24,160,280	24,319,716	24,160,280
Transfer from profit and loss account:				
Gain on disposal of fixed assets	4,795,532	159,436	4,795,532	159,436
At end of year	29,115,248	24,319,716	29,115,248	24,319,716
Revenue:				
Retained profits	18,602,891	5,789,637	25,185,133	5,365,799

\$ 47,718,139 30,109,353 54,300,381 29,685,515

Capital reserves for the company and the group comprise realised gain on disposal of interest in associated company amounting to \$20,884,690 (1994: \$20,884,690) and of fixed assets amounting to \$8,230,558 (1994: \$3,435,026).

13. Gross operating income

Gross operating income consists of interest earned, income from investment and foreign exchange cambio trading, commitment, consultancy and other fees, and is stated exclusive of general consumption tax.

14. Disclosure of expenses/(income)

Group operating profit is stated after charging/(crediting):

	1995	1994
	\$	\$
Depreciation		
- leased assets	461,673	239,268
- other assets	3,401,254	2,712,906
Interest		
- loans and promissory notes	77,823,940	29,973,063
- overdraft	1,105,701	375,453
- finance lease	377,152	686,181
Directors' emoluments		
- fees	55,000	78,000
- management		
- remuneration	6,107,580	2,387,917
Auditors' remuneration		
- current year	692,000	480,000
- previous year	-	157,000
Deferred expenses	388,993	770,213
Bad debts	5,794,234	2,006,500
Loss/(gain) on disposal of fixed assets	83,817	(159,436)
Interest income	(120,256,210)	(64,477,299)
Amortised bond discounts	(1,200,007)	(611,746)

15. Taxation

(i) The charge is based on the profit for the year adjusted for tax purposes and is made up as follows:

	1995	1994
Income tax at 33 1/3%	6,407,968	2,756,747
Adjustment in respect of previous year	(334,128)	-
	\$ 6,073,840	2,756,747

(ii) At December 31, 1995, taxation losses, subject to agreement by the Commissioner of Income Tax, available for relief against future taxable profits, amounted to \$Nil (1994: \$Nil) for the company and \$81,630 (1994:\$8,703) for the group.

16. Extraordinary item

This represents gain on the sale and lease back of the company's land and buildings.

17. Net profit attributable to members

Dealt with in the financial statements of the company, \$17,608,786 (1994: \$12,280,101).

18. Retained profits/(deficit)

Retained in the financial statements of:

	1995	1994
The company	18,602,891	5,789,637
Subsidiaries	7,307,924 (57,933)
Associated company	(725,682) (365,905)

\$ 25,185,133 5,365,799

19. Earnings per stock unit

The calculation of earnings per stock unit is based on the profit of \$19,150,134 (1994: \$12,697,649) before extraordinary item and profit of \$24,614,866 (1994: \$12,697,649) after extraordinary item and 75,000,000 stock units in issue.

20. Managed funds

The company and a subsidiary earn fees from funds managed, on a non-recourse basis, on behalf of investors. There is no legal or equitable right or interest in these funds and, accordingly, they have been excluded from these financial statements.

At December 31, 1995, these funds amounted to \$901,874,352 (1994: \$633,136,404) for the company and \$903,767,761 (1994: \$635,058,271) for the group.

21. Related party transactions

The group profit and loss account includes the following income earned from, and expenses incurred in, transactions with associated and related companies. The transactions were in the normal course of business.

	1995	1994
	\$	\$
(a) Associated company:		
- interest income on loans	(4,354,617)	(9,648,317)
(b) Related companies:		
- interest income on loan	(81,863)	-
- consultancy fees	-	250,000

Companies in which directors are common and have a significant interest are described as related companies.

22. Pension scheme

The company operates a contributory pension scheme for employees who have satisfied certain minimum service requirements.

The scheme, which is a defined contribution plan, is managed by a life insurance company. The contributions for the year amounted to \$325,706 (1994: \$194,008) for the company and the group.

23. Lease commitments

Commitments for the company and the group under a non-cancellable operating lease expiring in 1997 amounted to \$4,284,543 at December 31, 1995 (1994: \$2,358,720). The lease rentals payable within twelve months of the balance sheet date amount to \$2,513,568 (1994: \$907,200) for the company and the group.

24. Contingent liabilities

At December 31, 1995, outstanding guarantees in favour of customers amounted to \$22,362,668 (1994: \$9,485,553) for the company and the group.

25. Subsidiaries

The subsidiaries are as follows:

	Country of incorporation	% of equity capital held	Principal activities
Asset Management Company Limited	Jamaica	100%	Management of funds on non-recourse basis
Interlink Investments Limited (from October 13, 1995)	Grand Cayman	100%	Holding of investments

The shares in Interlink Investments Limited may be redeemed by that company at any time at its option, en bloc or individually, by repayment of the capital sum subscribed in respect of such shares, in the currency in which such subscription was paid.

